

New Profile Prospectus Important Step Toward Concise Disclosure, July 1995

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New York, July 31, 1995 - The Investment Company Institute today applauded Securities and Exchange Commission Chairman Arthur J. Levitt, Jr.'s initiative in launching the "profile prospectus." The profile prospectus will be used by eight participating mutual fund groups on an experimental basis starting August 1st. It is intended to provide a clear and concise summary of key information that an investor needs to know about a mutual fund, presented in a standardized format that facilitates comparison between funds.

Speaking with Mr. Levitt and Philip A. Feigin, President of the North American Securities Administrators Association, at a briefing here to unveil prototypes of the new profile disclosure document, Institute President Matthew P. Fink declared: "The profile is an important step in the process of making mutual funds' mandatory disclosure information more readily understandable to the investing public."

"The mutual fund industry has worked for many years with the Securities and Exchange Commission to develop a mutual fund prospectus for real people," Mr. Fink said, noting the introduction of a two-part prospectus in 1983 and specific suggestions to eliminate unnecessary disclosure. "The profile prospectus is another significant step toward concise disclosure of the information investors need to know before they invest," he said.

Current and prospective shareholders of the 24 participating funds now will begin to receive the profile prospectus when they receive the current full prospectus, Mr. Fink said. As a next step, the profile will be subjected to a rigorous empirical analysis. The research will be designed, among other things, to determine whether the profile makes it easier for investors to focus on the key issues they need to know before investing. The evaluation also will seek to determine whether the profile provides the range and type of information investors seek when they set out to purchase a mutual fund. In addition, the testing will assess the profile's effectiveness as a disclosure document and its usefulness to investors in comparing different funds with one another.

"Depending upon the results of this evaluation, we hope the SEC may be in a position to move beyond this limited experiment and authorize mutual funds generally to use the profile on a stand-alone basis," Mr. Fink said. "Of course, even were this authorized, all fund shareholders still would have the full current prospectus available to them."

Each profile prospectus presents, in the same order, 11 critical points of information that investors need to know, including the fund's goals, investment strategies, risk, appropriateness, fees and expenses. A bar chart in the profile prospectus graphically depicts the fund's total return for each of the last 10 calendar years. The profile names the fund's investment adviser, tells how investors may purchase and redeem shares, and states when and how distributions are made and what other services the fund offers to investors.

Over the next year, for purposes of this experiment, the SEC is requiring that profile prospectuses be used only in accompaniment with the full statutory prospectus.

The companies participating in the project are: American Express Financial Corporation (IDS Funds); Bank of America N.T. & S.A. (Pacific Horizon Funds); Capital Research & Management Company (American Funds); The Dreyfus Corporation; Fidelity Investments; T. Rowe Price Associates, Inc.; Scudder Stevens & Clark; and The Vanguard Group, Inc.

The Investment Company Institute is the national association of the mutual fund industry. Its membership includes 5,607 mutual funds, with total assets of \$2.3 trillion owned by about 40 million individual shareholders.
